

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|-------------------------|--|------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Greater Lapeer County Utilities Authority | County Lapeer |
| Audit Date 6/30/05 | Opinion Date 8/10/05 | Date Accountant Report Submitted to State: 2/9/06 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|--------------------------|--------------------------|-------------------------------------|
| The letter of comments and recommendations. | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Reports on individual federal financial assistance programs (program audits). | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Single Audit Reports (ASLGU). | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

| | | | |
|--|-----------------|-------------|--------------|
| Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. | | | |
| Street Address 3023 Davenport Avenue | City Saginaw | State MI | ZIP 48602 |
| Accountant Signature  | | | |

GREATER LAPEER COUNTY UTILITIES AUTHORITY

Annual Financial Statements

and

Auditors' Report

June 30, 2005

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Independent Auditors' Report

Board of Trustees
Greater Lapeer County Utilities Authority
County of Lapeer
State of Michigan

We have audited the statement of net assets of the Greater Lapeer County Utilities Authority as of June 30, 2005 and 2004 and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Greater Lapeer County Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Greater Lapeer County Utilities Authority at June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan
August 10, 2005

Greater Lapeer County Utilities Authority
Statement of Net Assets

| | June 30, | |
|-----------------------------------|------------------------|------------------------|
| | <u>2005</u> | <u>2004</u> |
| Assets | | |
| Cash | \$ 60,765 | \$ 61,214 |
| Due from other governmental units | | |
| City of Lapeer | 141,522 | 145,188 |
| City of Imlay City | 96,540 | 98,957 |
| City of Almont | 10,140 | 14,203 |
| Township of Mayfield | <u>416</u> | <u>390</u> |
| Total assets | <u>309,383</u> | <u>319,952</u> |
| Liabilities | | |
| Due to other governmental units | 248,618 | 258,738 |
| Deposits | | |
| City of Lapeer | 36,400 | 36,400 |
| City of Imlay City | <u>16,500</u> | <u>16,500</u> |
| Total liabilities | <u>301,518</u> | <u>311,638</u> |
| Net Assets | | |
| Unrestricted | <u><u>\$ 7,865</u></u> | <u><u>\$ 8,314</u></u> |

See Accompanying Notes to Financial Statements

Greater Lapeer County Utilities Authority
Statement of Revenues, Expenses and Changes in Net Assets

| | Year Ended June 30, | |
|-----------------------------------|------------------------|--------------|
| | 2005 | 2004 |
| Operating revenues | | |
| Intergovernmental - local | \$ 1,429,046 | \$ 1,568,943 |
| Expenses | | |
| Water purchased - City of Detroit | 1,427,460 | 1,567,447 |
| Legal and professional | 3,160 | 2,825 |
| Miscellaneous | 15 | 66 |
| Total expenses | 1,430,635 | 1,570,338 |
| Operating loss | (1,589) | (1,395) |
| Nonoperating revenues | | |
| Interest income | 1,140 | 508 |
| Decrease in net assets | (449) | (887) |
| Net assets, beginning of year | 8,314 | 9,201 |
| Net assets, end of year | \$ 7,865 | \$ 8,314 |

See Accompanying Notes to Financial Statements

Greater Lapeer County Utilities Authority
Statement of Cash Flows

| | Year Ended June 30, | |
|--|------------------------|--------------------|
| | 2005 | 2004 |
| Cash flows from operating activities | | |
| Intergovernmental receipts | \$ 1,439,166 | \$ 1,569,314 |
| Payment to suppliers | <u>(1,440,755)</u> | <u>(1,570,709)</u> |
| | <u>(1,589)</u> | <u>(1,395)</u> |
| Cash flows from investing activities | | |
| Interest income | <u>1,140</u> | <u>508</u> |
| Net change in cash | (449) | (887) |
| Cash, beginning of year | <u>61,214</u> | <u>62,101</u> |
| Cash, end of year | <u>\$ 60,765</u> | <u>\$ 61,214</u> |
| Reconciliation of net operating revenues (expenses) to net cash provided by (used by) operating activities: | | |
| Operating loss | \$ (1,589) | \$ (1,395) |
| (Increase) decrease in | | |
| Due from other governmental units | 10,120 | 371 |
| (Decrease) increase in | | |
| Due to other governmental units | <u>(10,120)</u> | <u>(371)</u> |
| Net cash used by operating activities | <u>\$ (1,589)</u> | <u>\$ (1,395)</u> |

See Accompanying Notes to Financial Statements

Greater Lapeer County Utilities Authority
Notes to Financial Statements
June 30, 2005

NOTE 1 – DESCRIPTION OF THE ENTITY

The Greater Lapeer County Utilities Authority was created to facilitate water services for municipalities in Lapeer County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Greater Lapeer Utilities Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governmental units. As allowed by Government Accounting Standards Board (GASB) Statement No. 20, the Authority has not elected to apply FASB statements and interpretations issued after November 30, 1989 to its financial statements.

The following significant policies were applied in the preparation of the accompanying financial statements:

(a) THE REPORTING ENTITY

In accordance with the provision of GASB Statement 14, certain other governmental organizations are not considered to be part of the Utilities Authority entity for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the various governmental organizations participating in the Authority are not included in the financial statements of the Utilities Authority.

(b) BASIS OF PRESENTATION

The financial activities of the Authority are recorded within one fund, categorized and described as follows:

PROPRIETARY FUND

Enterprise Fund – The enterprise fund reports operations that provide services, which are financed primarily by user charges.

The accrual basis of accounting is used to record transactions.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from the estimates.

(c) CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, all highly liquid investments with a maturity of 90 days or less when purchased are considered to be cash equivalents.

Greater Lapeer County Utilities Authority
Notes to Financial Statements
June 30, 2005

(d) DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units have been recognized for all significant amounts due to the Authority. Allowances for uncollectible accounts have not been provided because management does not consider collection doubtful, and feels that uncollected amounts would be immaterial.

(e) COMPATATIVE INFORMATION

The financial statements for the year ended June 30, 2004 are presented for comparative purposes.

NOTE 3 – CASH

At year end, bank deposits amounted to \$60,765 which was covered by federal depository insurance.

The above deposits complied with the State of Michigan Public Act 20 of 1943, as amended.